

SUR-SURREBUTTAL TESTIMONY OF**JOHN E. FOLSOM, JR.****ON BEHALF OF****DOMINION ENERGY SOUTH CAROLINA, INC.****DOCKET NO. 2019-209-E**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND**
2 **OCCUPATION.**

3 A. My name is John Edward ("Eddie") Folsom, Jr. I am employed by
4 Dominion Energy South Carolina, Inc. ("DESC" or the "Company"), located at
5 6248 Bush River Road, Columbia, South Carolina 29212. At DESC, I currently
6 serve as Power Marketing Manager within DESC's Power Marketing Department.

7 **Q. ARE YOU THE SAME EDDIE FOLSOM WHO HAS PREVIOUSLY**
8 **PROVIDED DIRECT TESTIMONY AND REBUTTAL TESTIMONY IN**
9 **THIS DOCKET?**

10 A. I am. I have previously provided direct testimony and rebuttal testimony
11 concerning the Company's Voluntary Renewable Energy ("VRE") Rider for
12 Renewable Generation ("RG") Supply Agreements ("RG-Supply Agreement").

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. The purpose of this testimony is to respond to certain points raised by
15 Walmart witness Perry in her surrebuttal testimony. Specifically, Walmart
16 disagrees with the Company's reasoning that the maximum length of RG-Supply
17 Agreements and Power Purchase Agreements ("PPAs") should be ten years.

1 Walmart proposes fifteen or twenty years. For the first time, in its surrebuttal
2 testimony, Walmart offers that even with a twenty-year contract, the avoided cost
3 rates could be re-negotiated after ten years.

4 Walmart also disagrees with the Company's position that length of RG-
5 Supply Agreements and PPAs should be limited to the customer's electric service
6 contract with the Company and argues that the Commission should assume that the
7 participating customer's electric service contract would automatically renew for the
8 number of renewal periods authorized under the customer's service contract, up to
9 the overall limitation. Walmart also proposes for the first time that the PPAs could
10 be structured to allow the Company to terminate the PPA in the event that the
11 participating customer leaves the Company's system.

12 **Q. HOW DO YOU RESPOND TO WALMART'S ARGUMENTS REGARDING**
13 **ALLOWING TWENTY-YEAR CONTRACTS WHEN THE AVOIDED**
14 **COST RATES ARE SET FOR TEN YEARS?**

15 A. Walmart proposes that that the maximum contract term for VRE agreements
16 should be twenty-years with the avoided cost pricing updated five or ten years into
17 the contract. But even with such pricing updates, it is not in customers' best interest
18 to lock the system into contracts for renewable supply for more than ten years. The
19 technology for renewable supply is changing quickly and the costs are declining.
20 The electric utility industry generally is undergoing rapid change from a technology,
21 regulatory, and cost of supply basis. Even if the avoided cost pricing (or any other
22 pricing for that matter) can be refreshed during a fifteen-year or twenty-year

1 contract, the Company and its customers will still be locked into the terms and
2 structures of contracts negotiated more than a decade earlier. Whether the terms
3 and structures of these contracts will be appropriate to customers' needs and that of
4 the system fifteen or twenty years into the contracts, no one can say.

5 As I previously explained in my rebuttal testimony, the Commission has
6 consistently held that customer interests do not support approval of a fixed price
7 PPA with a duration longer than ten years. Over that extended time period, the risk
8 that renewable supply agreements cease to be appropriately structured for electric
9 markets as they evolve is real. In prior proceedings, the Commission has properly
10 concluded that this is not a risk that customers should be asked to bear for a term
11 greater than ten years. Instead, the Commission has found that a maximum ten-year
12 term strikes the appropriate balance between the interest of the utility and its
13 customer base generally and that of the renewable supply developer and by
14 extension, the individual customer seeking a VRE agreement. The Commission
15 should hold to its prior determinations. Walmart has presented no evidence to show
16 that this is not the case and should reject this new proposal for fifteen to twenty year
17 contracts with interim price adjustments.

18 **Q. HOW DO YOU RESPOND TO WALMART'S CONCERNS RELATED TO**
19 **LIMITING THE RG-SUPPLY AGREEMENTS AND PPAS TO THE TERM**
20 **OF THE CUSTOMERS' UNDERLYING ELECTRIC SERVICE**
21 **CONTRACT?**

1 A. The Company's position is that if a customer asks the Company to add a new
2 resource to its system *for that customer's specific benefit*, the customer should be
3 willing to commit to stay on the system for the duration of the resulting supply
4 agreement. This is consistent with the logic of VRE that a specific renewable
5 resource is being added to the system to supply a specific customer's need for
6 renewable energy. The Company's position is that the customer should be asked,
7 subject to the termination provisions of its electric service agreement, to commit to
8 remain on the system for the period of time that the renewable resource is being
9 procured on its behalf.

10 Experience has shown that where regulatory or market structures allow
11 parties to lock in rights without taking on commensurate obligations, clever players
12 find ways to exploit this imbalance to their unfair advantage. Under Walmart's
13 proposal, customers with only months left on their electric service contracts could
14 require the Company to take on decade-long supply agreements on their behalf.
15 This sort of imbalance raises specter of unintended consequences and potential
16 misuse in ways that may be difficult to foresee at this time.

17 For the first time in its surrebuttal testimony, Walmart proposes to address
18 the downside of a customer leaving DESC's system before the PPA expires, by
19 making the PPA automatically terminate upon the customer's departure. This
20 approach seems inconsistent with the assurances that developers have argued are
21 required to allow ten-year development projects to be financed. It is definitely
22 inconsistent with the terms on which agreement was reached between the Company

1 and the SCSBA. And if allowed, this approach could result in the Company and
2 this Commission having to deal with orphaned and potentially insolvent renewable
3 generation assets connected to the Company's transmission system.

4 **Q. DOES THIS CONCLUDE YOUR SUR-SURREBUTTAL TESTIMONY?**

5 A. Yes.